

May 27, 2015



Boulder's Path to Municipalization

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Agenda

- Background
- Timeline
- Legal Background
- What We Have Learned
- Boulder's Vision of an Energy Future
- Challenges and Next Steps

Background

Boulder, Colorado

- 25 miles north of Denver
- Approx. 100,000 residents
- 95 square miles of open space
- First community to tax itself to preserve open space
- First mandatory green building requirements
- First “carbon tax” in US
- Leader in creating effective and replicable energy efficiency and conservation programs



Boulder, Colorado

- In the 2012 general election, almost 93 percent of voters cast ballots; similar turn out as in 2008
- Regularly recognized as one of the most educated cities in the nation
- 2010 Gallup-Healthways: #1 in overall well-being and work experience, near the top of the list in healthy behaviors, physical health



Colorado Regulatory Structure

- Traditional vertically integrated utilities
- No competition
- Access to market power not allowed
- Primarily served by one large IOU (PSCO/Xcel)
- PUC regulation



What Boulder is Doing and Why

- Boulder is creating a municipal utility
- Only alternative at this time to achieve its goals
 - Boulder has a goal of attaining Kyoto protocol by 2050
 - Control over the distribution system is only way to be able to access alternative power

Why Municipalize?

It's about Decarbonization, Decentralization, and Democratization of our Electricity Services

The Boulder vision is about:

- Stable, Safe and Reliable Electricity
- Customer Centric – Service vs. Commodity
- Promoting local economic vitality
- Flexibility and agility in responding to changing market conditions and technology
- Increasingly sustainable, resilient, & carbon free
- Stable and predictable rates

Timeline

Timeline

- **2005** – City began researching power supply options
- **2010** – City decides not to renew franchise with Xcel Energy and voters approve a tax to replace franchise fee
- **Nov. 2011** – Boulder voters pass measures to establish Charter requirements for municipalization
- **Jan. 2012 to August. 2013** – Analysis to determine if municipalization could meet Charter requirements and add community value
- **Nov. 2013** – Second opposing ballot measure defeated
- **Nov. 2013 to Jan. 2016** – Legal filings and transition plan developed and implemented with ongoing public engagement



Timeline

- **August 2013** – Council authorized filing of condemnation to acquire Xcel assets if negotiations fail
- **November 2013** – Boulder voters defeated opposing ballot measure, reaffirmed commitment
- **Fall 2013 – ongoing** – Legal and regulatory processes; transition planning; additional community visioning



Legal Background

Voter Defined Parameters

City of Boulder Charter requirements:

- Rates equal to or less than Xcel's at acquisition
- Sufficient revenue to cover operating costs plus earn a debt service coverage margin of 25%
- Reliability comparable to that offered by Xcel
- Increase renewable energy and decrease emissions
- Independent 3rd party review
- \$214 million cap on debt for acquisition
- Representation of any non-city customers

Legal Background

- City voters have voted three times to exercise this power – in the last election by a landslide.
- Xcel has done everything in its power to stop the city and its people from exercising this right.



Legal Background

Home Rule Authority

“ . . . within or without territorial limits, to construct, condemn and purchase, acquire, lease, add to, maintain, conduct, and operate water works, light plants, power plants, . . . in whole or in part, and everything required therefore.”

Legal Background

Legal Process - The PUC

- The PUC has asserted that it has authority to decide which facilities the city can acquire. The PUC asserted the city has to get its approval before it can seek to condemn any Xcel facilities.
- The city is planning to file an asset transfer application this summer.

Legal Background

Legal Process – The FERC

The city sought a declaratory order confirming that the city could reduce its stranded cost obligation by purchasing electricity from Xcel. Although the FERC denied the petition because it wanted more facts, it did confirm this basic principle.

Legal Background

Legal Process – The Condemnation Case

- Before filing a petition in condemnation the city must engage in good faith negotiations
- City's initial offer was \$120 million
- Directed to file application with PUC before proceeding with condemnation



Legal Background

Legal Process – The lawsuit

Xcel has filed a lawsuit challenging the council's decision to create a municipal utility.

The city is waiting for a decision from the court, was expected last fall.

What We Have Learned

What We Have Learned

88 new public power utilities have formed in United States in the last 40 years:

- Formed in half the US states
- The largest serves over a million customers, the smallest just a few
- In the last 10 years 17 new POU's have formed

Colorado has 29 public power utilities

What We Have Learned

What we learned from other POU's:

- *Denton Municipal Electric, TX, est. 1905*
 - Economic Development - jobs created through utility, business development to improve efficiency & renewable energy
- *Jefferson County, Washington, est. 2008*
 - Decreased CO₂ Emissions: Over time rates projected to be lower than IOUs with decreased carbon emissions

What We Have Learned

What we learned from other POU's:

Winter Park, FL, est. 2005

- Increased Reliability - POU formed due to outages with IOU; strong program to improve reliability includes putting significant portion of power lines underground

Fort Collins Utilities, CO, est. 1887

- Resilience & Reliability - one of the most reliable electric distribution systems in the country, 99% of lines underground

What We Have Learned

**The energy utility market is changing.
This shift is necessary and inevitable.**

Causes include:

- Changing needs and demographics
- Deregulation and competition
- Technology
- Public pressure

**Current Business
Model**



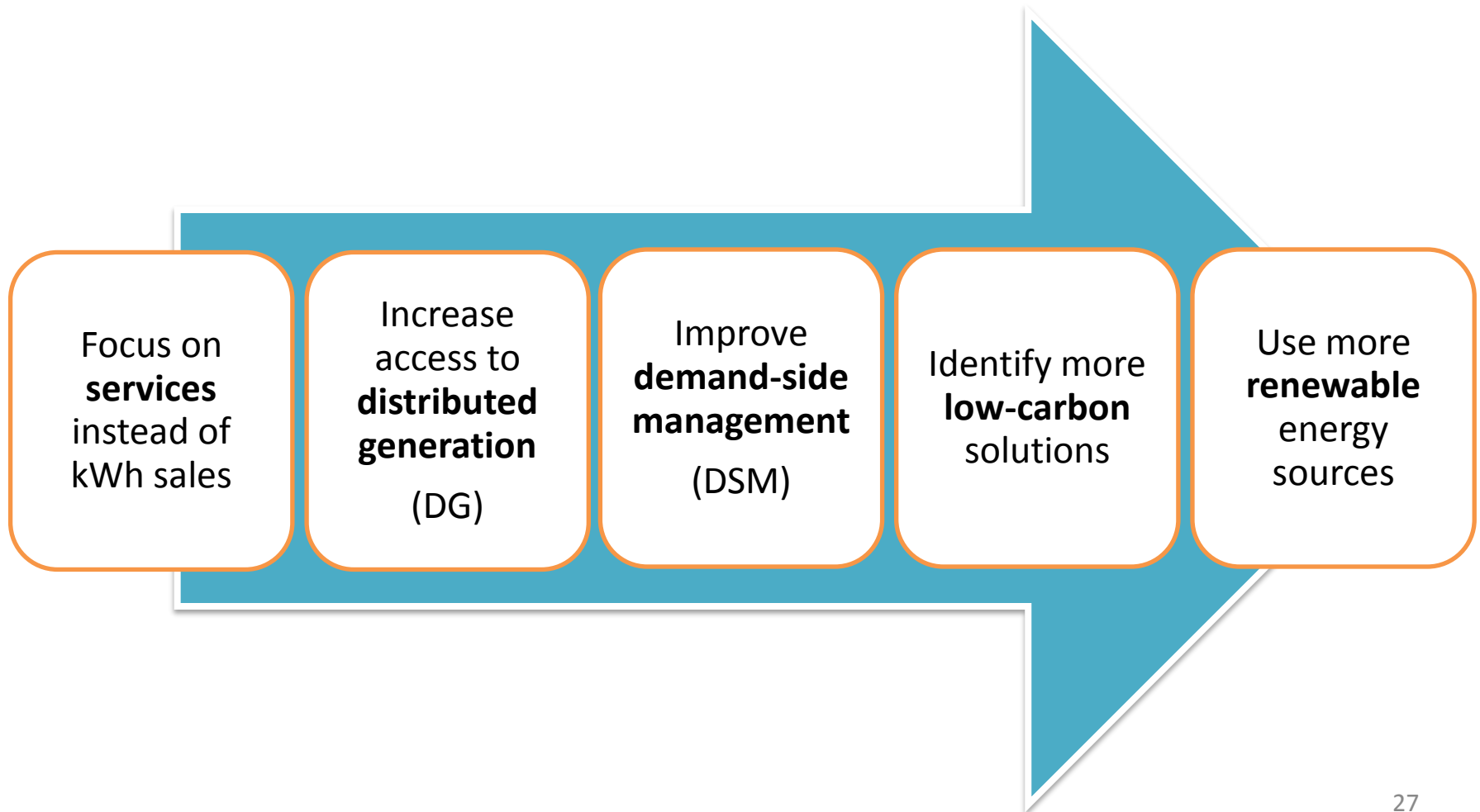
**Desired Business
Model**

Lessons Learned

- Be clear on your goals and community must be engaged
- Establish parameters and metrics for success, quantify risk/benefits
- Don't underestimate the opposition and the tactics used to create uncertainty and fear
- Do your homework and use the facts
- Make friends with your regulators and understand the rules
- Communicate, communicate, communicate and often
- ***It will be hard, it is doable, allow for time and resources***

Boulder's Vision of an Energy Future

Boulder's Vision of an Energy Future



It's Already Happening

New York State – Reforming Energy Vision (REV)

- Creates a marketplace for buying and selling distributed energy
- Give customers more choice, control, and value in their energy usage for each dollar spent
- Incentivize utilities to focus on system and capital efficiency

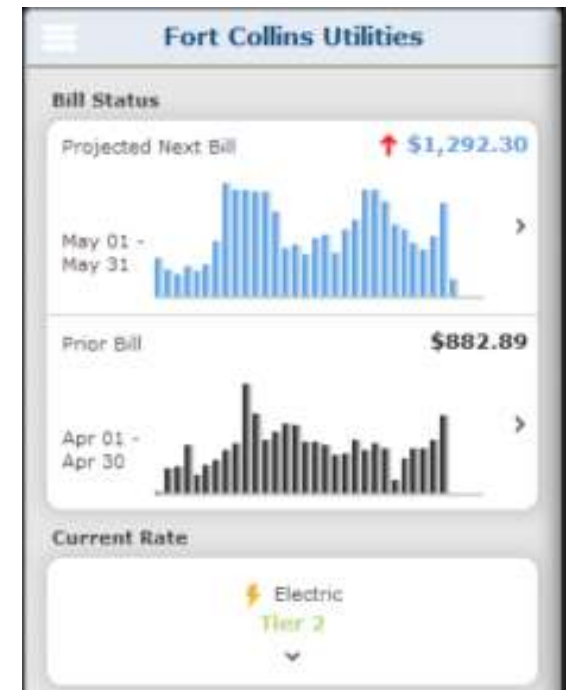
Chattanooga, TN – Fiber-optic Network

- Fiber optic network as test bed for electric vehicles
- Invited entrepreneurs to access data and implement new strategies and programs
- Grid is likely to provide the city \$300M in economic benefits over 10 years

It's Already Happening

Fort Collins, CO – Energy Engage Mobile

- First utility to provide Energy Engage Mobile to meet energy efficiency and customer satisfaction goals
- With detailed usage and pricing data, customers will better understand their consumption and be empowered to make better energy and water usage decisions



What We Can Do Today



Rating & Reporting and Energy
Efficiency for Commercial &
Industrial (C&I) Building Owners:
Proposed Requirements



Community Power Partnership



Be informed.
Track your resource use.
Contribute to innovative community solutions.

What We Can't Do Today

- Control the carbon intensity of our energy portfolio
- Determine the strategic investments in our grid infrastructure to support distributed generation, microgrids, etc
- Support innovative products and services to the home and energy system that are not behind the meter
- Significantly increase the resilience of our system



... to this.



Community Driven Ideas for Energy Initiatives

City "behind the meter" solar garden

Deep community retrofits

Education and incentives for behavior change

Loan pool for PACE projects

Finance concierge services

Payroll deduction for energy efficiency

Demand response from water storage systems

Partnership with Google for solar and efficiency

Case management services for low-income residents

Solar-plus-storage demonstration

Combined heat and power plant

Community geothermal loops

Media campaign for commercial PACE

On-bill financing through water bill

Zero Energy District

Load reduction business model

Solar Bond/Solar Bank

Realtor Network

Challenges



Challenges

- Largely uncharted legal and regulatory areas PLUS an uncooperative seller
- Well-funded campaign to defeat efforts, including hiring of anti-municipalization consultant; currently incorrectly quoting cost numbers and calling them “city numbers”
- Confusion within the public, leveraged by those who oppose municipalization who are, in some cases, being backed in a non-transparent way by Xcel Energy

Examples of Needed Policy Reform

1 Peer-to-Peer Sharing of Electricity

Community Choice Aggregation

2

3 Energy Data Center

Alternative Energy Efficiency Management

4

5 Remove the 120% Cap

Performance-Based Rates & Grid Modernization

6

7 State Carbon Tax

Promote Electric Vehicle Uptake

8

9 Green Electric Resource Planning

Time-of-Use Electric Rates

10

Where We Are & Next Steps

- **Formed local utility**
- **Implementing transition plan**
- **Dealing with litigation**
 - FERC
 - Colorado PUC
 - Condemnation



Our Vision

Decentralize
Democratize
Decarbonize



Contact and Learn More

Follow along at www.BoulderEnergyFuture.com

- Sign up for E-News updates and newsletter
- Use online comment form for questions, feedback or suggestions
- Follow the Local Environmental Action Division (LEAD) on Twitter!
@boulderlead

Send an email to the staff team at

EnergyFuture@BoulderColorado.gov

Contact **Heather Bailey** with questions/comments

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